



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #613

### School Breakfast (DPI -- Categorical Aids)

[LFB 2005-07 Budget Summary: Page 405, #15]

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#### CURRENT LAW

Under current law, the state makes payments from the appropriation for school breakfast to partially reimburse the cost of school breakfasts served under the federal School Breakfast Program, which provides free or reduced-price breakfasts to low-income children in school districts and private schools.

#### GOVERNOR

Provide \$500,100 GPR in 2005-06 and \$830,100 GPR in 2006-07 above base level funding to increase the per meal reimbursement rate from \$0.10 to \$0.15 per breakfast served by public and private schools under the state's school breakfast program. Specify that this change would first apply to breakfasts served in the 2004-05 school year.

#### DISCUSSION POINTS

1. The federal School Breakfast Program (SBP) was established in 1966 as a two-year pilot project designed to provide categorical grants to assist schools serving breakfasts to "nutritionally needy" children. While the term "nutritionally needy" was not defined, the original legislation stipulated that first consideration for program implementation was to be given to schools located in poor areas or in areas where children had to travel a great distance to school. To encourage schools in needy areas to participate, Congress authorized higher federal payments for schools determined to be in "severe need." The pilot program was expanded several times, and in 1971, Congress directed that priority consideration for the program would include schools in which there was a special need to improve the nutrition of children from low-income families, the

categorical grant structure was replaced by a system of per-meal reimbursement. In 1975 the program received permanent authorization, and the SBP continues to emphasize participation by schools in severe need and to provide higher reimbursement to these schools.

2. The federal SBP is an entitlement program that provides assistance to states to operate nonprofit breakfast programs in school districts, private schools, and residential childcare institutions. Schools that take part in the breakfast program receive cash reimbursements from the US Department of Agriculture (USDA) and, in return, schools must serve breakfasts that meet federal nutrition requirements, and they must offer free or reduced-price breakfasts to low-income children. Children from families with incomes less than 130% of the federal poverty level are eligible for free breakfasts, and those with incomes less than 185% of poverty are eligible for reduced-price breakfasts. In 2004-05, for a family of four, 130% of poverty equals \$24,505 in annual income, and 185% is equal to \$34,873.

3. In 2004-05, federal basic reimbursements equal \$0.23 per paid breakfast, \$0.93 per reduced-price breakfast, and \$1.23 per free breakfast. Schools with high concentrations of poverty, where more than 60% of meals are served free or at a reduced price, receive payments up to \$0.24 higher than the basic rates. These rates are adjusted annually according to changes in the consumer price index. Schools may charge no more than \$0.30 for reduced-price meals. Schools set their own prices for breakfasts served at the full meal price, but they must operate their meal services as nonprofit programs. The state received reimbursements from USDA totaling \$12,206,146 FED under SBP in 2003-04.

4. In 2004-05, a total of \$1,055,400 GPR is provided for the state breakfast program, which provides up to \$0.10 per breakfast served. According to preliminary information from DPI, in 2003-04, an average of 67,083 children ate school breakfasts daily at 1,174 participating public and private schools and institutions. This average daily participation rate represented an 8.3% increase over 2002-03.

5. However, participation in Wisconsin's school breakfast program has consistently fared poorly when compared to other states, according to an annual survey conducted by the Food Research and Action Center. Wisconsin has been ranked last among all states for several years for the proportion of schools that offer school breakfast, and for the proportion of low-income children who receive school breakfast. Although 97% of eligible public schools in the state served school lunches in 2003-04, only 59% of eligible public schools served breakfast. The national average was 79.4%. Consequently, approximately 24.3% of low-income pupils who ate school lunch in 2003-04 also ate school breakfast in Wisconsin, while the national average was 43%, according to the survey.

6. In a 2003 report to Congress, the Government Accountability Office (GAO) examined revenues and expenditures for school nutrition programs in six states (Florida, Missouri, New York, Ohio, Texas, and Virginia) from 1996-97 to 2000-01. The GAO found that in those six states, total expenses grew more quickly than federal reimbursement revenue. The proportion of expenses paid by federal reimbursements declined over the period, from 54% to 51% on average. Meanwhile, meal programs experienced increasing shortfalls in revenues as compared to

expenditures over the period.

7. These trends appear in data from Wisconsin as well. Federal reimbursements in 1999-00 were equal to \$0.21 per paid breakfast, \$0.79 per reduced-price breakfast, and \$1.09 per free breakfast in non-severe need districts. By 2002-03, these rates had increased by \$0.01 per paid breakfast, and by \$0.08 per reduced-price and free breakfast. According to information collected by DPI, the average cost to public schools increased from \$1.29 per breakfast in 1999-00 to \$1.72 in 2002-03 (data for 2003-04 is not yet available). Schools reported average income of \$1.25 per breakfast in 1999-00, and income of \$1.64 per breakfast in 2002-03. The average net loss doubled from \$0.04 to \$0.08 per breakfast over those four years despite the state's beginning its \$0.10 reimbursement per meal in 2000-01. The state subsidy has remained unchanged since then.

8. Staff from DOA indicates that the increased reimbursement rate was included in the budget in order to increase overall participation in the school breakfast program. Schools that have chosen not to participate due to expense might be encouraged to do so. Similarly, proponents of the proposal have argued that students would be more likely to participate in the program if the price of meals would be kept to a minimum with higher state reimbursements.

9. On the other hand, the Committee could choose to retain the current law breakfast reimbursement, since schools have alternative sources of revenues for school nutrition programs. Full price meal sales, according to the GAO, are the second largest source of revenue for school meal programs, behind federal reimbursements. Schools whose meal programs experience revenue shortfalls could choose to raise prices for paid meals. School districts also have the option to subsidize their meal programs from revenues such as general school aids and property taxes.

## ALTERNATIVES

1. Approve the Governor's recommendation to provide \$500,100 GPR in 2005-06 and \$830,100 GPR in 2006-07 and to increase the reimbursement rate under the school breakfast program to \$0.15 per meal served, from the current law rate of \$0.10 per meal.

2. Delete the provision.

<u>Alternative 2</u>	<u>GPR</u>
2005-07 FUNDING (Change to Bill)	- \$1,330,200

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